

Using the Balanced Scorecard to Improve Performance

What's at Stake?

An organization's measurement system strongly affects the behavior of people both inside and outside the organization. -- Kaplan, The Balanced Scorecard

Running any government enterprise has become increasingly complicated as the requirements for accountability, streamlined operations, and greater flexibility have multiplied. It requires sophisticated approaches for implementing strategy and measuring performance.

The Results Act drives agencies to ask employees to change how they view their work and focus on results, not activities. While not asking the impossible, it is a challenging task. Formal accountability for outcomes down to the line level has simply not been a marker of the bureaucratic culture.

As the leadership of agencies looks for ways to support employees in this transition, it is vital that a variety of managerial tools are deployed. For employees to focus on the outcomes of their individual performance, they must:

- understand what the standards for organizational performance are;
- participate in measuring how well those standards have been met; and
- be responsible for finding ways to improve organizational performance.

What an organization measures, how it communicates the results of measurement and what it does with the measurement information can be one of the keys to empowering employees to continuously improve performance against results-based standards.

The Balanced Scorecard can help. This approach is one that is gaining currency in Federal agencies -- Transportation, Agriculture, and Customs to cite a few -- as an easy to use, relatively inexpensive, and accessible process for measuring organizational effectiveness. It can be applied at any level of an organization. It's a tool that can be independently used by the line manager with an interest in improving performance at the work unit and individual levels.

This paper will provide the reader with:

- a brief description of this tool;
- information about the experience of one agency in using it; and
- links to resources that will provide more detailed information for in-depth exploration.

What is the Balanced Scorecard?

The concept of the Balanced Scorecard originated in a study group of twelve companies that met throughout 1990 and was lead by Robert Kaplan of Harvard University and David Norton of Renaissance Solutions (a consulting company). Since that time the Scorecard methodology has been extensively used by Texas Instruments and Eastman Kodak.

The Scorecard looks at performance from four perspectives rather than from a single, traditional bottom line measure. Kaplan and Norton recognized that performance is not one-dimensional, that there are multiple contributors that were categorized as:

- Customer perspective - the focus is on customer needs and satisfaction;
- Internal business perspective - the focus is on the effectiveness of key internal processes;
- Learning and growth perspective - the focus is on how the organization invests in and supports its human resources;
- Financial perspective - the focus is on the bottom line results achieved.

Three sets of stakeholders are surveyed to provide evaluation data that combined give a full picture of the organization from all four perspectives. Those surveyed can, for example, be asked for input on such measures as:

- Customers - on timeliness, quality, and service partnership;
- Employees - on quality of work environment and leadership/management;
- Manager - on workforce education and training; management of resources; achievement of mission goals.

How Do You Build a Scorecard?

Typically, a work team made up of managers, employees, and customers will develop the measures. The scorecard uses an organization's strategy as the framework and tracks performance against organizational goals. (A trained facilitator in the balanced scorecard process is usually required at this stage.) All involved come to a real understanding of what performance is in terms of goals and measures. (A sample scorecard for the human resources function at the Department of Transportation can be found at the end of this article.)

For employees and their managers, the scorecard maps how work activities link to outcomes that in turn link to overall strategy. The scorecard measures can also be used to shape individual performance measures, and the measurement process can generate data to contribute feedback on individual performance.

Once the measures and survey instruments are developed, they are beta tested with sample groups and revised as necessary. This activity is followed by briefings for all parts of the organization involved -- employees, union representatives, managers -- on: what the scorecard is, what it will do, and how employees will be involved. When the data has been collected and analyzed, the organization's strengths are highlighted and areas for improvement are identified.

What happens next is key. Employees are given that information. They have the task of finding ways to sustain areas of high performance (e.g. documenting successful approaches to problem solving in a database for future reference by all employees) and ways to improve areas of less than successful performance (e.g. spending more time up front determining customer needs). As an additional outcome, this activity can provide employees insights into ways of sustaining their own individual performance or improving it. Since all employees have a role in the process from the manager on down, performance becomes an issue for all.

What Does It Gain for an Organization?

Experience in the public and private sectors has shown the model to have the following advantages:

- Requires reasonable resources and time;
- Empowers organizations and employees;
- It's easy to understand and do;
- Allows for unlimited number of offices/units to be measured;
- Provides for both customer and employee input;

- Results in a balanced assessment accessible to all employees;
- Involves clear feedback and opportunities for making improvement;
- Makes it possible for best practices to be recognized and rewarded as well.

Such diverse organizations as Mobil Oil, CIGNA, FMC Corporation, and U.S. Customs have all had success with the scorecard. Some organizations are now even experimenting with using it to measure work team effectiveness.

The Scorecard at Work in a Government Setting

The Department of Transportation (DOT) has used the Balanced Scorecard for the last four years in measuring its procurement function. Learning from that experience, the concept is now being applied to the human resources management (HRM) function.

At the direction of the DOT Personnel Council, a cross functional team was assembled to develop a balanced scorecard for HRM. It developed a Human Resource Measurement Assessment Model building upon the primary mission of the HRM function: to provide quality services within the time frames necessitated by the customer.

A member of the team, Robert Stokes, points out that the Results Act was a prime driver for this effort. Performance goals were set for HR as part of complying with the Act which required measuring performance to determine goal achievement.

This model presents a balanced scorecard that links performance measures from five perspectives: financial, customer, internal business, innovation and learning, and employee empowerment. Key measures are identified for ten performance goals. The team developed a variety of mechanisms to support data collection including customer, employee, and manager self-assessment surveys. HRM strengths and weaknesses identified from the data collected will be used in identifying best in class practices, as well as in formulating action plans for improvements. The data will also be used to determine annual best in class awards.

Stokes also thinks its important to stress that this approach, when used over time, provides a bank of long term data to truly measure and document organizational performance and improvements. This approach will serve the needs of Human Resources operations well.

With some years of solid experience to judge from, DOT's procurement community has come to view its balanced scorecard effort as a real management tool that can empower managers, supervisors, and line employees to improve performance. They have been careful to not use the data as a "gotcha," but rather to consistently frame evaluation results as an opportunity to learn more about improving performance. To quote one manager, **"The scorecard process is used here as a management tool not as a club."**

In the HRM area, there is the same concern about keeping the focus on prevention rather than detection. The scorecard process empowers employees to make improvements rather than setting people up for judgment. In a briefing package prepared on the DOT HRM scorecard process, the team states: [The scorecard] provides a point of departure for process improvement and benchmarking. It allows the organization to accelerate the process of change and accomplish breakthrough improvements. The links to improving individual performance can be substantial.

Resources on the Balanced Scorecard

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U.S. Customs contact. Bruce Mercer, Office of Internal Affairs. 202/927-7008.

Publications:

Kaplan, Robert and David Norton. The Balanced Scorecard Measures That Drive Performance. *Harvard Business Review*, Jan-Feb 1992, pp. 71-79.

Kaplan, Robert and David Norton. Using the Balanced Scorecard as a Strategic Management System. *Harvard Business Review*, Jan-Feb 1996, pp. 75-85.

Getting Results Through Learning, Federal Human Resources Development Council, 1997, see also WWW.AMSC.BELVOIR.ARMY.MIL/HRD/HOMEPAGE.HTM

National Academy of Public Administration publication, Measuring Results: Successful Human Resource Management, August 1997. [Provides good overview of how organizations in and out of government are using measurement, including the Balanced Scorecard, as a management tool.]

Note: The World Wide Web as a number of sites (primarily of vendors) that offer quick overviews of the Balanced Scorecard approach and related information.

Conclusion

The Balanced Scorecard tracks performance against measurements important to the success of the organization. It includes the range of factors that contribute to outcomes. The scorecard provides accessible data to all employees so that they can work together to address performance challenges using the best information possible. The result can be winning individual and organizational performance.

THE DOT HRM BALANCED SCORECARD

Financial Perspective:

Maximize cost effectiveness

Goal: Maximize Cost Effectiveness of HR Programs

Measures: Direct Staffing Costs, Program Costs, Costs of Program Changes

Tool: HR Management Self-Assessment, Statistical Data

Customer Perspective:

Working in partnership with customers to provide quality products and services in a timely manner

Goal: Timely Services, Quality Products, Service, Partnerships

Measures: Customer Satisfaction

Tool: Customer Survey

Internal Business Perspective:

To ensure a diverse, skilled workforce in each operating administration, and to ensure effective maintenance and use of HR information systems and the optimal use to automation and information technology.

Goals: Workforce Planning, HR Info. System, Efficient Internal Processes

Measures: Quality Workforce, HR Data Collection, Hiring, Employee Performance, and Labor/Employee Relations and Benefits, Effective Use of Data Systems and Technology

Tools: HR Management Self-Assessment

Innovation and Learning Perspective:

To provide HR offices a protocol for continuous improvement and for achieving their overall mission.

Goals: Continuous Improvements, Achieving HR Mission

Measures: Establish and track goals, goals are communicated throughout the organization best practices are identified and used

Tool: HR Management Self-Assessment

HR Employee Empowerment Perspective:

To provide a quality work environment, a competent HR workforce, and highly effective leadership within the HR organization.

Goal: Maximize Learning Environment

Measures: Improve quality work life, increase job satisfaction, develop core competencies, attract, retain, and reward HR staff

Tools: HR Employee Survey; HR Management Self Assessment